

# Homeland Security

Most of the activities that make up homeland security were being undertaken before September 11, 2001, but the attacks of that date changed the nation's perception of the risks that it faces and of its preparedness to deal with the consequences of such attacks on the homeland. Federal agencies, state and local governments, private businesses, and individuals perceive a heightened threat to security and a need to commit additional resources to lower the risk of future attacks or to minimize the ensuing harm. Those commitments have affected both the budget and the economy in fiscal year 2002 and will undoubtedly be a focus of additional spending and policy decisions that the Congress will make this year.

The federal government has accounted for a large part of the increase in the resources committed to homeland security following the attacks, most notably as a part of the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (Public Law 107-38). States and localities also have devoted more resources to homeland security, for example, in response to a series of alerts issued by the federal government since the September attacks. Likewise, the private sector has increased spending on physical security, particularly to protect facilities with the potential to be turned into weapons of mass destruction.

As the Congress faces a heightened awareness of the risks of terrorism and the pressure that homeland security is likely to place on federal spending and priorities in the near future, some fundamental questions emerge. First, what is homeland security, and what set of activities does it embrace? Second, what is currently being spent on homeland security

and by whom? Although some of the estimates presented in this chapter are preliminary, they highlight the fact that homeland security is an evolving concept that cuts across traditional budget categories and jurisdictional boundaries. That wide scope makes the task of evaluating different priorities and approaches particularly challenging and suggests the value of assessing trade-offs using a broad framework.

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## What Is Homeland Security?

Before September 11, homeland security was a phrase that was little known to the public and discussed, for the most part, by a small group of analysts in the defense and law enforcement communities. Since the attacks, "homeland security" appears frequently in the media, has acquired an elevated standing within the Executive Office of the President, and has been offered as the reason to undertake a wide array of spending and policy initiatives. A core set of activities are widely recognized as part of homeland security (for example, emergency preparedness and the protection of government facilities), although the inclusion of others (for example, policies intended to increase the domestic supply of energy) is a matter of disagreement.

The definition of homeland security has implications for both the measurement of and the control over resources. A narrow view of the mission and activities that constitute homeland security may imply that one actor—a specific federal agency, for example—should be responsible. A broader definition may suggest not only additional agencies but also a

different structure to control the associated resources; for instance, instead of being directly responsible for the security of some function or activity, the federal government could mandate particular security systems that the private sector would then control. Moreover, a broader view would imply a broader set of trade-offs that should be considered in setting priorities and allocating resources.

Within the defense community, a research institute defines homeland security as, “the prevention, deterrence, and preemption of, and defense against, aggression targeted at U.S. territory, sovereignty, population, and infrastructure, as well as the management of the consequences of such aggression and other domestic emergencies.”<sup>1</sup> That definition is implicitly broad in its geographic scope and may encompass major new national investments, most prominently in missile defense. By contrast, the mission statement of the recently created Office of Homeland Security implies a narrower definition of homeland security as comprising the federal government's efforts, in coordination with state and local governments and the private sector, to develop, coordinate, fund, and implement the programs and policies necessary to detect, prepare for, prevent, protect against, respond to, and recover from terrorist attacks within the United States.<sup>2</sup> Although clearly limited to the domestic arena, that definition explicitly grants a role both to state and local governments and to private institutions in providing homeland security.

For the presentation of federal spending that follows, the Congressional Budget Office adopts a definition of homeland security that is based on the Office of Management and Budget's most recent *Annual Report to Congress on Combating Terrorism*.<sup>3</sup> That definition encompasses the activities that OMB

has classified as devoted to combating terrorism and protecting critical infrastructure.

As described in OMB's report, those classifications are as follows:

- *Physical Security of Government*, which consists of activities to protect federally owned, leased, or occupied facilities and federal employees, including high-ranking officials, from terrorist acts. It also includes activities to protect foreign embassies, dignitaries, and other persons as authorized by federal law or executive order.
- *Law Enforcement and Investigative*, which captures activities to reduce the ability of groups or individuals to commit terrorist acts and the investigation and prosecution of terrorist acts when they occur. This category includes intelligence collection activities and programs to detect and prevent the introduction of weapons of mass destruction into the United States. It includes both antiterrorism investigations to identify threats and vulnerabilities and activities to apprehend and prosecute terrorists.
- *Preparing for and Responding to Terrorist Acts*, which includes the planning, training, equipment, and personnel directed at responding once terrorist acts have occurred.
- *Research and Development* captures activities to develop technologies to deter, prevent, or mitigate terrorist acts.
- *Physical Security of the National Populace*, which includes activities to protect the national infrastructure, including air traffic, railroad, highway, maritime, and electronic distribution systems; the production, distribution, and storage of electricity, natural gas, and petroleum; vital services such as banking and finance, water, and emergency services; and telecommunications systems.
- *Critical Infrastructure Protection (CIP)* is similar to *Physical Security of the National Populace* in that it also includes the protection of civilian infrastructure and services, but the

1. Anser Analytic Services, Institute for Homeland Security ([www.homelandsecurity.org](http://www.homelandsecurity.org)).

2. President George W. Bush, “Establishing the Office of Homeland Security and the Homeland Security Council,” Executive Order no. 13228, *Federal Register*, vol. 66 (October 10, 2001), pp. 51812-51817, available at [www.nara.gov/fedreg/eo2001b.html](http://www.nara.gov/fedreg/eo2001b.html).

3. Office of Management and Budget, *Annual Report to Congress on Combating Terrorism* (July 2001). Some analysts define homeland security as a subset of combating terrorism, with the former excluding the physical security functions that the Departments of Defense and State conduct overseas. OMB's report and CBO's analysis include those functions.

scope is slightly broader than defending against terrorist acts. Besides terrorism, CIP also addresses threats to the national infrastructure from equipment failures, natural disasters, and domestic crimes. CBO has chosen to include this category in its accounting of spending for homeland defense because many efforts to protect critical infrastructure will probably be undertaken to address terrorist threats, including those against large economic and communications structures, such as nuclear power plants, bridges, dams, and computer networks.<sup>4</sup>

The definition adopted by CBO offers the advantage of having an associated set of measures of the resources devoted to combating terrorism and protecting critical infrastructure since 1998.<sup>5</sup> In fact, OMB's report is the sole compendium of data on federal funds for combating terrorism and protecting infrastructure. However, the definition is relatively narrow in scope and thus will probably be unable to accommodate the full array of trade-offs that will likely present themselves in this year's spending and policy debates. Moreover, any definition offered now will likely evolve to encompass more activities than were included in last year's report on combating terrorism and protecting critical infrastructure.

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4. In its tally for the CIP category, OMB focuses especially on costs for protecting the nation's computer networks against cyberattacks. OMB's current *Annual Report to Congress on Combating Terrorism* does not account for activities to protect key physical infrastructure such as nuclear plants, dams, and bridges, although the CIP category as defined encompasses such activities. In the aftermath of the recent attacks, protecting key elements of the nation's physical infrastructure will probably assume a higher priority.

For purposes of this analysis, efforts to overcome any potential threats that could directly result in a large number of civilian casualties, such as attacks on transportation services, contamination of drinking water, and disruption or contamination of the mail service, are classified under Physical Security of the National Populace. Efforts dealing with threats to large economic and communications structures, such as nuclear power plants, bridges, dams, and computer networks, are classified under Critical Infrastructure Protection.

5. OMB has been collecting data from federal agencies, departments, and bureaus since 1998 in response to direction in the Fiscal Year 1998 National Defense Authorization Act (P.L. 105-85). Specifically, the Congress directed the President to report on federal spending for counterterrorism, including funding to combat weapons of mass destruction.

## How Much Is Being Spent on Homeland Security?

The federal government, state and local governments, and the private sector all spent money on security before the attacks of September 11 and have all increased their spending since then. The federal increase has been the most visible. Data about the spending by other levels of government and the private sector are less available. (Box 7-1 discusses the effects that spending for security has on the economy.)

A complication evident in all that follows is identifying the portion of spending that incrementally contributes to homeland security. Many of the activities associated with homeland security also serve other purposes. For example, spending on emergency preparedness improves response to natural disasters and industrial accidents, as well as to terrorist attacks. Thus, it may be impossible in many cases to clearly separate the homeland security component for expenditures that deliver benefits in more than one area.

### Federal Spending

Under the definition adopted by CBO, federal spending (expressed in terms of budget authority) for homeland security was \$17.2 billion in 2001 and will be about \$22.2 billion in 2002. Those totals include funds provided in the 13 enacted appropriation laws for fiscal years 2001 and 2002 and portions of the \$40 billion provided in the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (P.L. 107-38) and the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002 (P.L. 107-117). The immediate budgetary effect of the September 11 attacks is in part captured by the roughly \$8.7 billion that the Congress provided afterward, over and above the \$13.6 billion requested by the Administration for combating terrorism and protecting critical infrastructure in its original budgetary proposal for 2002.

**Box 7-1.****Homeland Security Spending and the Economy**

Terrorism reduces the well-being of U.S. citizens directly, and given the increased threat, some increase in spending on security is necessary. Certainly, security spending is valuable, but it uses up resources that could otherwise be used to produce something else.

Conventional measures of economic performance do not account for how security spending affects well-being. The most commonly used aggregate measures, gross domestic product (GDP) and labor productivity, do not gauge well-being but account for only the value of goods and services sold and the cost of providing government services. By those measures, additional spending for homeland security is likely to slow real economic growth by 0.1 percent per year during the next decade, in large part because security spending will result in slightly higher prices, with nominal GDP not significantly changed (see Table 2-5 and Box 2-3 in Chapter 2).

For example, private businesses such as airlines will be able to sell more and charge higher prices if their improved security systems can convince customers that they will be safe. But the national income and product accounts (NIPAs) would not measure such increased security spending as an increase in output: any costs of security spending passed on to consumers would increase prices. Thus, spending on security by private businesses (whether mandated or not) will tend to reduce measured real output per worker (productiv-

ity) and increase inflation. The story is different if the increased spending is done by governments (for, say, airport security). The NIPAs cannot directly measure the output of government workers because it is not sold in the market. Therefore, government workers (in this case, the security checkpoint workers at airports) are presumed to produce services in line with their wages. The result is that government spending on security does not reduce measured real GDP, although in the long run, private spending does.

Leaving aside the quirks of measurement, does increased security spending have any macroeconomic consequences that will reflect back on the budget? In nominal terms, total income in the economy would be roughly unchanged if customers were willing to pay as much for the increased security as it cost private businesses. Thus, the total tax base would be roughly unchanged.

In the short run, the effects of spending on homeland security may be positive because the recession has idled some workers who can be employed in security without drawing resources from other activities. Employing those workers will provide a temporary boost to incomes and consumption spending that will help speed the recovery from recession. That benefit will dissipate, however, as the economy recovers and the diversion of workers to security begins to affect other production.

According to Administration reports produced before September 11, annual federal spending to combat terrorism and protect critical infrastructure grew from \$7.2 billion in 1998 to \$12 billion in 2001, an increase of 67 percent over four years. The President's budget for fiscal year 2002 included \$13.6 billion for those efforts, a further increase of \$1.6 billion above the 2001 level. Thus, since 1998 the increase in federal spending for those efforts has been steady (see Table 7-1). More specifically, homeland security funding for the Department of Defense (DoD) and intelligence agencies grew by almost 50 percent over the 1998-2001 period, and additional growth was planned for 2002. Such funding for the Department of State increased dramatically in 1999 to improve physical security after the August 1998

attacks on U.S. embassies in Africa. The Department of Health and Human Services (HHS) received the largest relative increase in appropriations, which climbed from \$53 million in 1998 to a request of \$446 million for 2002 for its disaster response activities, such as the stockpiling of vaccines and research and development related to bioterrorism.

The almost 90 percent increase between the 1998 level and the President's budget request for 2002 may be overstated, however, because the annual accounting of funding is complicated by programs' changing content. Although OMB attempts to normalize the data each year, agencies are always redefining programs that they consider to be combating terrorism and protecting infrastructure. So, any cost

**Table 7-1.**  
**Appropriations for Combating Terrorism and Protecting Critical Infrastructure Since 1998**  
**and the Funding Requested for 2002 Before September 11, 2001 (In millions of dollars)**

Department or Agency	1998	1999	2000	Original Funding for 2001	President's Request for 2002
DoD and Intelligence Agencies	4,919	5,485	6,757	7,267	8,252 <sup>a</sup>
State	202	1,654	792	1,311	1,549
Justice	630	716	765	939	1,038
Energy	505	619	724	754	834
Treasury	401	423	406	475	474
Health and Human Services	53	218	325	387	446
Transportation	192	296	313	366	401
All Others	<u>295</u>	<u>385</u>	<u>372</u>	<u>537</u>	<u>573</u>
Total Budget Authority	7,197	9,794	10,454	12,036	13,566

SOURCE: Congressional Budget Office based on Office of Management and Budget, *Annual Report to Congress on Combating Terrorism* (July 2001).

NOTE: The totals shown here are larger than those presented by the Congressional Research Service and other organizations because CBO has included funds for protecting critical infrastructure.

a. This figure for the Department of Defense (DoD) and intelligence agencies is different from the one in the Office of Management and Budget's report because CBO has included an adjustment made in the President's fiscal year 2002 amended budget request.

accounting is somewhat subjective and prone to shifting interpretation because reported levels of spending for those efforts in any given year may not be precisely comparable to the levels shown for any other year.

Following the terrorist attacks of September 11, the Congress provided \$40 billion in additional funding for 2001 and 2002 conveyed in Public Laws 107-38 and 107-117. It also increased funding beyond the amounts originally requested by the President for combating terrorism and protecting infrastructure for 2002 in the annual appropriation acts. Congressional action can be summarized as follows.

The Congress provided an additional \$5.1 billion above the original funding of \$12 billion for 2001 for combating terrorism and protecting infrastructure. Then, for 2002 it added \$8.7 billion to the President's original request of \$13.6 billion—yielding \$22.2 billion for this year.<sup>6</sup> In all, the Congress increased funding for those efforts by almost 45 per-

cent above the original level for 2001 and then by about 65 percent above the level requested for 2002 (see Table 7-2). Six agencies—DoD (along with the intelligence agencies), HHS, the Department of Justice, the Department of State, the Department of Transportation, and the Department of Energy—received 87 percent of the total appropriations for homeland security in 2001 and 2002, and almost 79 percent of the total increase above the original level for 2001 and the requested level for 2002.

Among the various purposes of spending for combating terrorism and protecting infrastructure (according to OMB's classifications), efforts related to the physical security of government received 33 percent of the funding appropriated for 2002. The Department of State, DoD and the intelligence agencies, and the Department of Energy got the largest shares of the \$7.3 billion allotted to this category (see Table 7-3). According to information gleaned from Administration documents, the Departments of Defense and State expect to spend their shares on equipment to detect intrusions at, respectively, bases in the continental United States and bases and embas-

6. The effective 2002 level is about \$27 billion because the \$5.1 billion was provided at the end of 2001.

**Table 7-2.****Comparison of Funding for Combating Terrorism and Protecting Critical Infrastructure Before and After September 11, 2001 (In millions of dollars)**

Department or Agency	2001			2002		
	Original Funding	Funding with Supplemental	Change	President's Request	Estimated Funding <sup>a</sup>	Change
DoD and Intelligence Agencies	7,267	10,833	3,566	8,252 <sup>b</sup>	9,314	1,062
Health and Human Services	387	405	18	446	3,067	2,621
Justice	939	1,020	81	1,038	2,633	1,595
State	1,311	1,467	156	1,549	1,549	0
Transportation	366	916	550	401	1,360	959
Energy	754	759	5	834	1,065	231
Treasury	475	554	79	474	711	237
Agriculture	60	60	0	50	341	291
FEMA	35	35	0	36	281	245
Postal Service	0	175	175	0	250	250
Legislative Branch	0	376	376	0	232	232
NASA	117	117	0	117	226	109
General Services Administration	114	123	9	117	210	94
District of Columbia	0	6	6	0	200	200
Interior	10	13	3	10	128	118
Judiciary	10	31	21	10	105	95
Social Security Administration	71	71	0	101	105	4
Environmental Protection Agency	5	5	0	5	93	88
Commerce	47	47	0	55	71	16
Executive Office of the President	0	82	82	2	50	48
Veterans Affairs	22	22	0	22	24	2
Labor	15	15	0	23	23	0
International Assistance	13	18	5	12	12	0
Education	12	12	0	9	9	0
Office of Personnel Management	1	1	0	0	0	0
Other Independent Agencies	5	5	0	5	185	180
<b>Total Budget Authority</b>	<b>12,036</b>	<b>17,166</b>	<b>5,130</b>	<b>13,566</b>	<b>22,242</b>	<b>8,676</b>

SOURCE: Congressional Budget Office based on Office of Management and Budget, *Annual Report to Congress on Combating Terrorism* (July 2001).

NOTES: DoD = Department of Defense; FEMA = Federal Emergency Management Agency; NASA = National Aeronautics and Space Administration.

These figures include funds associated with combating terrorism and protecting critical infrastructure according to the Office of Management and Budget's (OMB's) classifications in its July 2001 report. They exclude an estimated \$1.25 billion authorized by Public Law 107-71 for aviation security, which is to be offset by fees. Of the roughly \$8.7 billion in added funds for 2002, about \$8 billion was from emergency supplemental legislation (P.L. 107-117), and about \$700 million was added in the 13 regular appropriation acts, according to CBO's estimates.

- a. Figures in this column reflect CBO's estimate of homeland security funding for each agency. Actual spending will not be known until agencies make their budget allocations and report to OMB.
- b. This figure for DoD and intelligence agencies is different from the one in OMB's report because CBO has included an adjustment made in the President's fiscal year 2002 amended budget request.

**Table 7-3.**  
**Estimated 2002 Funding for Combating Terrorism and Protecting Critical Infrastructure,**  
**by OMB's Classification of Purpose (In millions of dollars)**

Department or Agency	Law Enforce- ment and Investi- gative	Research and Develop- ment	Preparing for and Responding to Terrorist Acts	Physical Security of National Populace	Physical Security of Govern- ment	Critical Infra- structure Protection	Total
DoD and Intelligence Agencies	2,888	303	735	41	3,498	1,850	9,314
Health and Human Services	97	294	2,485	0	94	98	3,067
Justice	1,330	24	987	0	227	66	2,633
State	77	6	7	0	1,427	32	1,549
Transportation	7	101	22	804	13	412	1,360
Energy	1	134	45	1	834	50	1,065
Treasury	292	1	35	65	234	84	711
Agriculture	12	102	51	0	174	2	341
FEMA	0	0	277	0	2	2	281
Postal Service	0	0	0	250	0	0	250
Legislative Branch	0	0	0	0	232	0	232
NASA	0	0	0	0	89	137	226
General Services Administration	14	0	2	0	185	10	210
District of Columbia	0	0	135	39	26	0	200
Interior	5	0	1	2	89	32	128
Judiciary	0	0	0	0	105	0	105
Social Security Administration	0	0	0	0	4	101	105
Environmental Protection Agency	0	8	8	39	36	2	93
Commerce	12	4	0	0	13	42	71
Executive Office of the President	0	0	17	0	8	25	50
Veterans Affairs	0	0	0	0	2	22	24
Labor	0	0	0	0	0	23	23
International Assistance	0	0	1	0	11	0	12
Education	0	0	0	0	0	9	9
Other Independent Agencies	<u>2</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>3</u>	<u>175</u>	<u>185</u>
Total Budget Authority	4,737	977	4,807	1,245	7,305	3,172	22,242
Percentage of Total Budget Authority	21	4	22	6	33	14	100
<b>Memorandum:</b>							
President's Request for 2002	3,694	511	864	283	5,726	2,488	13,566
Amounts Added After September 11	1,043	466	3,943	962	1,578	684	8,676 <sup>a</sup>

SOURCE: Congressional Budget Office based on Office of Management and Budget, *Annual Report to Congress on Combating Terrorism* (July 2001).

NOTES: DoD = Department of Defense; FEMA = Federal Emergency Management Agency; NASA = National Aeronautics and Space Administration.

These figures include funds associated with combating terrorism and protecting critical infrastructure according to the Office of Management and Budget's (OMB's) classifications in its July 2001 report. They exclude an estimated \$1.25 billion authorized by Public Law 107-71 for aviation security, which is to be offset by fees.

These figures reflect CBO's estimates of homeland security funding for each agency. Actual spending will not be known until agencies make their budget allocations and report to OMB.

a. Of the roughly \$8.7 billion in added funds for 2002, about \$8 billion was from emergency supplemental legislation (P.L. 107-117), and about \$700 million was added in the 13 regular appropriation acts, according to CBO's estimates.

sies abroad. The Department of Energy expects to use its share of the funding to protect its facilities and safeguard nuclear weapons materials.

Twenty-two percent, or \$4.8 billion, of the \$22.2 billion will be used to prepare for and respond to terrorist acts. HHS and the Department of Justice received the majority of those funds. HHS received about \$2.5 billion to purchase pharmaceuticals and vaccines, provide grants to state and local health departments, and conduct other related activities. The Department of Justice received almost \$1 billion for activities such as grants and training for local law enforcement.

Another 21 percent, or \$4.7 billion, of the 2002 appropriations for homeland security will be used for law enforcement and investigative activities. DoD and the intelligence agencies and the Department of Justice received almost 90 percent of the money allotted to this category.

Of the \$40 billion appropriated as emergency supplemental funds, CBO has classified \$13.1 billion as devoted to combating terrorism and protecting critical infrastructure. The remaining \$26.9 billion (\$14.9 billion in 2001 and \$12 billion in 2002) was appropriated for items such as disaster relief for New York City and the Pentagon, foreign humanitarian assistance, and military operations in Afghanistan, which, while directly related to the September 11 terrorist attacks, fall outside of the adopted definition of homeland security (see Table 7-4). Some or all of those activities could be included if the Congress or the Administration chose a broader definition of homeland security. (See Box 7-2 for more information on federal funding going to New York City.)

Almost \$24 billion of the \$26.9 billion is for two activities—disaster relief and military operations in Afghanistan. Of that \$24 billion, \$11.9 billion is for disaster relief, which includes recovery of the disaster sites, economic aid to affected businesses, and medical and financial relief for victims of the September 11 attacks. The Federal Emergency Management Agency (FEMA) received \$6.4 billion of the money for disaster relief, the bulk of which will go to New York City. An additional \$2.7 billion was appropriated to the Department of Housing and Urban Development, much of which was for block grants to

affected New York City businesses. DoD received about \$1 billion to rebuild the Pentagon, including relocating damaged offices.

Another \$11.9 billion has been allocated for direct and indirect military operations for the war in Afghanistan as well as an increase in global intelligence activities related to the war on terrorism. (That figure is CBO's rough estimate because related activities—such as domestic combat air patrols and the activation of reserves by DoD, which CBO classifies under Physical Security of the National Populace, one of the purposes that OMB cites for combating terrorism—are difficult to break out in the Administration's pertinent documents.)

About \$840 million of the roughly \$1.7 billion classified in Table 7-4 as "other" spending is associated with border enforcement activities of the Immigration and Naturalization Service, the Customs Service, and the Animal and Plant Health Inspection Service. Another \$150 million is for the Department of Energy's nonproliferation activities in the former Soviet Union. Like items mentioned above, these activities could easily be considered as combating terrorism under a broader definition.

The issue of whether to consider border enforcement activities as combating terrorism highlights the problem of determining where to draw the line in examining the total costs for combating terrorism as well as the difficulty and subjectivity of an accounting of homeland security funding. Expanding the scope of the definition to include border enforcement activities would add more than \$13 billion each year that is not now captured within the adopted definition. About \$10 billion of that \$13 billion consists of appropriations made to agencies such as the Animal and Plant Health Inspection Service, the Immigration and Naturalization Service, the Customs Service, the Coast Guard, and the Federal Aviation Administration. The remaining \$3 billion comes from fees collected by the Customs Service and the new Transportation Security Administration.

In addition to the 13 appropriation acts and the emergency supplemental package, the Congress provided security and disaster relief funding for 2002 in four other acts (see Table 7-5). The Air Transporta-



**Table 7-4.**  
**Emergency Supplemental Appropriations Conveyed in Public Laws 107-38 and 107-117,**  
**by Activity (In millions of dollars)**

Department or Agency	Combating Terrorism	Aviation and Airport Economic Assistance	Disaster Relief	Foreign Humani- tarian and Economic Assistance	Direct and Indirect Military Operations	Other	Total
DoD and Intelligence Agencies	4,053	0	1,078	125	11,890	402	17,547
FEMA	245	0	6,357	0	0	0	6,602
Health and Human Services	2,684	0	260	0	0	0	2,944
Housing and Urban Development	0	0	2,701	0	0	0	2,701
Justice	1,617	0	88	0	0	494	2,199
Transportation	1,509	140	287	0	0	0	1,935
International Assistance	5	0	0	952	0	5	962
Treasury	292	9	134	0	0	265	701
Postal Service	425	0	250	0	0	0	675
Legislative Branch	605	0	24	0	0	4	633
Agriculture	248	0	0	95	0	119	462
State	156	0	0	128	0	144	428
Energy	226	0	0	0	0	148	374
Labor	0	0	250	0	0	0	250
District of Columbia	206	0	2	0	0	0	208
Environmental Protection Agency	88	0	88	0	0	0	176
Executive Office of the President <sup>a</sup>	130	0	0	0	0	36	166
General Services Administration	103	0	32	0	0	0	135
Interior	122	0	0	0	0	0	122
Judiciary	116	0	0	0	0	0	116
NASA	109	0	0	0	0	0	109
Commerce	16	0	8	0	0	5	29
Education	0	0	10	0	0	0	10
Social Security Administration	4	0	4	0	0	0	8
Veterans Affairs	2	0	0	0	0	0	2
Other Independent Agencies	178	0	289	0	0	48	516
<b>Total Budget Authority</b>	<b>13,137</b>	<b>149</b>	<b>11,862</b>	<b>1,300</b>	<b>11,890</b>	<b>1,669</b>	<b>40,000</b>

SOURCE: Congressional Budget Office.

NOTES: DoD = Department of Defense; FEMA = Federal Emergency Management Agency; NASA = National Aeronautics and Space Administration.

For several agencies, the amounts for various activities represent CBO's best estimates. For instance, activities such as combat air patrols and the activation of reserves by DoD are difficult to break out in the Administration's pertinent documents. Some agencies—for example, the Postal Service—must submit a plan before funds are released.

a. The figures for the Executive Office of the President include \$27 million in funds that are unreleased pursuant to Public Law 107-38.

tion Safety and System Stabilization Act (P.L. 107-42) provided \$7.6 billion for loan guarantees, insurance, and other financial assistance for the airline industry, as well as \$5.4 billion for financial assistance to victims of the terrorist attacks in New York; Washington, D.C.; and Pennsylvania (categorized as disaster relief in Table 7-5). Of that \$5.4 billion,

about \$750 million will be paid out in 2002, CBO estimates.

The USA PATRIOT Act (P.L. 107-56) will increase federal payments to families of public safety officers killed in the line of duty. CBO estimates that in 2002 the act will increase outlays by about \$104

**Box 7-2.****Federal Spending to Aid New York City After the September 11 Attacks**

According to the Congressional Budget Office's (CBO's) estimates, of the \$40 billion of emergency supplemental appropriations provided by the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (Public Law 107-38) and the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002 (P.L. 107-117), about \$10.2 billion is for assistance to New York City, providing both support to businesses and individuals and support to state and local governments. Disaster relief accounts for the largest portion of the spending, followed by economic assistance, which is mostly loans and assistance to businesses affected by the attacks. Other aid includes improvements and repairs to infrastructure, such as roads and mass transit; unemployment assistance to displaced workers; and health assistance and monitoring.

Additional funds from the \$40 billion will also benefit New York City. For instance, about \$100 million will be spent to relocate and reconstitute federal offices destroyed in the attacks. Also, New York City is likely to receive some portion of about \$1 billion

appropriated in the form of grants and other assistance to state and local law enforcement and other emergency personnel.

Other laws provide compensation for victims—some of which will go to the families who lost relatives in the attacks in Pennsylvania and at the Pentagon but the majority of which will go to families who lost relatives in the World Trade Center attacks. According to CBO's estimates, the Air Transportation Safety and System Stabilization Act (P.L. 107-42), the USA PATRIOT Act (P.L. 107-56), and the Victims of Terrorism Tax Relief Act (P.L. 107-134) provide for about \$5.8 billion in such compensation over the 2002-2011 period.

In accordance with the Deficit Control Act, CBO's baseline inflates budget authority from the level appropriated in 2002. Thus, the \$7.2 billion appropriated in 2002 for disaster relief for New York City is inflated through 2012 in the baseline. (See Box 4-1 in Chapter 4 for a more thorough discussion of the treatment of the discretionary emergency appropriations for 2001 and 2002 within the baseline.)

**Emergency Supplemental Appropriations for New York City, Conveyed in  
Public Laws 107-38 and 107-117 (In millions of dollars)**

	Fiscal Year 2001 (P.L. 107-38)	Fiscal Year 2002 (P.L. 107-117)	Total Federal Assistance to New York City
Disaster Relief	2,000	4,357	6,357
Economic Assistance	800	2,150	2,950
Other	<u>145</u>	<u>709</u>	<u>854</u>
Total	2,945	7,215	10,161

SOURCE: Congressional Budget Office.

NOTE: These figures do not include spending to relocate, reconstitute, or assist federal offices destroyed in the September 11 attacks or approximately \$5.8 billion (\$1 billion provided in 2002) conveyed by other laws to compensate victims over the 2002-2011 period (see Table 7-5).

**Table 7-5.**  
**Additional Resources for Homeland Security Provided in Other Legislation for 2001 and 2002**  
**(In millions of dollars)**

	Physical Security of National Populace	Aviation and Airport Economic Assistance	Disaster Relief <sup>a</sup>	Total
Air Transportation Safety and System Stabilization Act (P.L. 107-42) <sup>p</sup>	0	7,600	750 <sup>b</sup>	8,350
USA PATRIOT Act (P.L. 107-56)	0	0	70 <sup>c</sup>	70
Aviation and Transportation Security Act (P.L. 107-71)	1,250 <sup>d</sup>	0	0	1,250
Victims of Terrorism Tax Relief Act (P.L. 107-134)	<u>0</u>	<u>0</u>	<u>190<sup>e</sup></u>	<u>190</u>
Total	1,250	7,600	1,010	9,860

SOURCE: Congressional Budget Office.

NOTE: These figures do not include outlays beyond 2002.

- a. All figures for disaster relief are for compensating victims.
- b. Only the estimated payments for 2002 are shown. The law's total cost for compensating victims will be about \$5.4 billion over the 2002-2006 period, CBO estimates.
- c. The law has other purposes, which CBO estimates will cost an additional \$34 million in 2002.
- d. This amount provided for airline security will be offset by fees.
- e. This figure represents a combination of lower tax revenues (\$188 million) and increased outlays (\$2 million); only the estimated payments for 2002 are shown. The law's total 10-year cost for compensating victims will be about \$360 million, CBO estimates.

million, \$70 million of which is expected to go to families of officers killed on September 11.

The Aviation and Transportation Security Act (P.L. 107-71) was enacted to improve transportation security through the establishment of the Transportation Security Administration, which will coordinate all domestic aviation security. So far for fiscal year 2002, \$1.25 billion has been appropriated for that function, and CBO estimates that the full amount will be offset by fees paid by passengers and air carriers.

Finally, the Victims of Terrorism Tax Relief Act (P.L. 107-134), cleared by the Congress on December 20, 2001, provides specialized income tax treatment for individuals who died as a result of the recent terrorist attacks. CBO estimates that implementing this law will cost about \$190 million in 2002

(both in terms of lost revenues and outlays) and about \$360 million over the 2002-2011 period.

The amounts for aviation and airport economic assistance conveyed in the emergency supplemental appropriations and in the aviation legislation (that is, the amounts shown in both Tables 7-4 and 7-5) sum to about \$7.7 billion in authorizations and appropriations for the activity in 2001 and 2002. Summing the amounts for disaster relief yields a figure of \$12.9 billion for 2001 and 2002.

## State and Local Spending

Although data for spending by state and local governments are not yet available, in supplemental appropriations the federal government has provided signifi-

cant assistance to those governments for homeland security. That assistance is included in totals for federal spending on homeland security discussed earlier in this chapter, but CBO notes it separately here in order to highlight functions that various levels of government support through their spending. That said, state and local governments continue to provide and fund services related to homeland security in their traditional areas of responsibility: law enforcement, fire safety and control, emergency response, and public health.

Supplemental appropriations for 2002 provided a significant source of federal funding for state and local governments. CBO has identified over \$7 billion in such assistance. It takes the form of either grants to state and local governments or increased funding for federal programs that directly support ongoing state and local activities, such as specialized training for emergency response workers. Well over half of the \$7 billion can be attributed to public assistance awards through the Federal Emergency Management Agency. Initial estimates by CBO indicate that at least \$4.3 billion in assistance will be provided to the City of New York or the Metropolitan Transit Authority to reclaim the World Trade Center site and to rebuild transit systems and government buildings. The supplemental appropriations provided another \$1 billion to the Department of Health and Human Services for grants to state and local governments to increase their ability to effectively respond to biological and chemical threats. Other items in the supplemental funds include grants for law enforcement training and preparedness, increased port security, and reimbursement for losses resulting from airport closures. Such activities are ones that CBO could easily identify in the budget and appropriation acts as clear examples of federal support available to state and local governments for homeland security.

In identifying the subset of federal spending targeted either for grants to state and local governments or for the direct support of those governments' activities, CBO did not include several programs that may provide some residual, yet significant, benefit to those governments. For example, CBO did not include funding for federal emergency response teams that may augment state and local activities. Similarly, CBO did not include funding for federal data collection and information systems that track and

report disease outbreaks or for additional deployments by the Federal Bureau of Investigation for the Winter Olympics in Salt Lake City. However, all of those items, as well as the \$7 billion in assistance that CBO identifies as directly benefiting state and local governments, are included in the federal totals discussed earlier.

## Private Spending

Although the bulk of spending for security is done by the government, the private sector contributes a significant portion as well. One academic study estimates that private businesses spent roughly \$40 billion on security in 2001, or about 10 percent of all crime-induced spending in the economy.<sup>7</sup> Nearly half of the total spending for security by the private sector is composed of a single category, security guards and other protective service employees. The rest of the spending falls into such categories as alarm systems, computer security, locks and safes, surveillance cameras, safety lighting, and guard dogs. Although most of that spending is undertaken to prevent crime rather than terrorist threats, it should reduce the risk of all types of attacks.

Businesses and consumers have incurred and will continue to incur other costs, as markets adjust to the perception of a riskier world and participants take steps to reduce their risks. Air travelers face higher costs as federal taxes associated with flying have increased. Those consumers and many producers who rely on shipments that cross U.S. land borders or enter U.S. ports also are burdened with costly longer waiting times in transit to allow for security checks. And as discussed in Chapter 5, businesses seeking insurance against the consequences of future terrorist attacks will pay higher premiums or pay the less visible cost of accepting more risks.

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7. David Anderson, "The Aggregate Burden of Crime," *Journal of Law & Economics*, vol. 42 (October 1999). The values were adjusted from 1997 dollars to 2001 dollars using the GDP price index.

## Conclusion

Each year, the Congress is confronted with the task of choosing and supporting national priorities. In the aftermath of the September 11 attacks, funding homeland security initiatives has become a top priority. But budgetary resources are limited, and the benefits of increased funding for homeland security must be weighed against other budgetary choices. As illustrated by the spending that is already taking place, the scope over which priorities might be redefined is exceptionally wide, encompassing many agencies of the federal government, state and local governments, and the private sector. The task of coordinating, financing, planning, and putting integrated programs into place is correspondingly great. Because the political and economic systems in the United States are decentralized, the country has few opportunities beyond the federal budget process—and the budget resolution in particular—to plan major changes in priorities and put in place the programs necessary to carry them out.

The recent debate on airline security illustrates the difficult issues that the Congress will face in crafting and funding policies intended to increase homeland security. One key element of that debate was whether to make airport security a federal responsibility or to leave it in the hands of the airlines. The Aviation and Transportation Security Act resolved this issue by shifting primary responsibility to

the federal government. It also authorized the assessment of fees on passengers and airlines to help pay for the federal workforce and equipment necessary to screen passengers and their baggage.

The issues that arose during the debate about aviation security will return, and new ones will come up as the Congress considers additional homeland security proposals. A recurring issue is who should pay for increased government spending on homeland security. Should the costs be spread broadly over society or focused on the recipients of the government benefits? A second issue is which federal agencies should do what—for example, should the role of the military be expanded if its skills and equipment could be used effectively in activities currently undertaken by civilian or nonfederal entities? A third issue is whether the proposal in question only enhances homeland security or whether it has additional benefits. Some measures to address terrorism—for instance, most proposed improvements in the public health system or better training for emergency personnel—have additional benefits. A fourth issue is whether improvements in homeland security should be administered by the federal government, state and local governments, or the private sector—choices that elicit different views about the appropriate roles of different levels of government and the private sector. Thus, the policy and spending decisions that the Congress faces present a special challenge because of their complexity and the difficult trade-offs they involve.